

**USAID/Bosnia and Herzegovina**  
**ANNUAL REPORT FY 2003**

3/13/2003

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## **A. Program Level Narrative**

### **Program Performance Summary:**

Country Setting: Bosnia-Herzegovina (BiH) is now completing its seventh year of post-war recovery. Nearly three million people fled their homes at the height of the 1992-95 war, 700,000 becoming refugees in Europe and other regions and the rest internally displaced. As many as 200,000 persons were reportedly killed in Bosnia-Herzegovina, many of them civilians. Most of the country's economic infrastructure -- bridges, roads, water and electricity network -- were damaged or destroyed. Sixty percent of the country's homes, 50 percent of its schools, and 30 percent of hospitals were either reduced to rubble or badly damaged before the war was halted.

During the past seven years many changes have taken place. Reconstruction of most major infrastructure has been completed, resulting in ever-increasing numbers of refugees returning to areas in which they are an ethnic minority. In the first nine months of 2002 alone, over 80,000 minority returns were recorded throughout the country. Many of these are taking place in areas such as Srebrenica, where some of the worst wartime atrocities took place. Privatization of state-owned entities is well underway and the closing of the communist-era payment bureaus has helped to revitalize the banking system and open the door to foreign investment. An extensive reorganization of the country's judiciary is currently taking place, facilitating equal access to justice for all citizens. Security and freedom of movement have improved dramatically due to the NATO Stabilization Forces (SFOR) presence and the International Police Force (IPTF) oversight of procedures and practices.

Challenges: Bosnia-Herzegovina's political structure is designed to give each of the three main ethnic groups equal representation and decision-making power. Unfortunately, consensus among the groups is still difficult to achieve. The result is a slow and cumbersome political process, which frequently requires the High Representative to insert himself into the process. In addition, a challenge that affects nearly all of USAID's work in Bosnia-Herzegovina is the weakness of the State government in comparison with the governments of the Muslim-Croat Federation of BiH and of the Republika Srpska, the two sub-state entities created by the Dayton Peace Accords. This has led to broad differences in laws and regulations throughout the country. For example, for years, NGOs working in one entity could not support activities in the other entity. Thanks largely to USAID technical assistance, the NGO registration laws were harmonized in FY 2002, enabling NGOs to broaden their scopes considerably.

After two years of rule by a moderate, but largely ineffective, coalition government, citizens voted in October 2002 to put the hard-line parties back in power at the State level and in both entities. These are the same nationalist parties that drove BiH into the war. The task of promoting cooperation and reduction of political and administrative barriers among the entities may become more challenging in the near future.

Unlike many other former communist countries in the region, BiH never experienced an economic collapse until the advent of war. As a consequence, policymakers often look back to the pre-war years as a model for economic transformation rather than embracing market-driven reforms. Unemployment is calculated at 40 percent. New business start-ups are still hindered by bureaucratic red tape. According to Human Rights Watch, corruption within the Bosnian police force has allowed trafficking in women and children to flourish. It is estimated that over 2,000 victims have been trafficked into BiH.

Since its inception in 1995, USAID's program portfolio in BiH has shifted focus from an emergency assistance program designed to restore basic living conditions and restart economic activities, to one with three strategic objectives: Accelerated development of the private sector (by supporting macroeconomic reforms, sound fiscal policies, and a viable banking system); A more participatory, inclusive democratic society (by fostering a professional, independent judiciary, independent media, free and fair elections, a responsive and transparent government, and citizen advocacy); and Sustainable minority returns (through the provision of community based services).

**Achievements and Beneficiaries:** The USAID assistance program was responsible for numerous positive changes that took place in BiH during FY 2002. Many of these changes benefited all of the citizens of the country. USAID directed significant resources toward training election officials. As a result, in October Bosnian institutions for the first time since the war administered elections, which the international community judged to be free and fair. The country as a whole also benefited from media training, which became more focused and targeted to a more sophisticated clientele. Achievements included higher-than-expected advertising revenues for the nation's first commercial television network as well as the opening of the first independent printing press in BiH. Persons seeking access to justice will also soon benefit from changes to the system. USAID was a key promoter of the current initiative to restructure the nation's judicial system and recompute judicial positions.

On the economic side, USAID-sponsored courses dealing with credit risk and consumer lending helped banks to increase their lending significantly during 2002. A comprehensive assessment of banking needs also directed USAID to support the creation of a movable property collateral registry which will further lift constraints to lending. USAID also sponsored the creation of financial information management systems (FIMS), automated accounting and budget execution systems for the State, Federation and Republika Srpska (RS) Treasury Departments. Prior to FIMS, the cash-based system was easy to corrupt, and accountability and transparency were non-existent. During the first eight months after its introduction, the Federation Ministry of Finance reported that FIMS enabled it to avoid about \$13.5 million in unbudgeted commitments. The RS has noted comparable results.

USAID facilitated sustained high levels of refugee returns for another year with the repair of community-level infrastructure. As importantly, USAID focused on the economic needs of returnees by giving them small grants and loans to start income generating activities. These initiatives were targeted to minority returnees but often benefited majority residents as well. Conservative estimates show that the program benefited over half of all minority returns (40,000 returnees) that took place throughout the country. The flexibility of the USAID program has meant that minority return "breakthroughs", i.e. returns by minorities to the hard-line nationalistic communities from which they were cleansed, can be supported and encouraged. One result is that as increasing numbers of minorities return to these areas and register to vote, the composition of municipal councils will change from mono-ethnic to multiethnic once again.

**Other Donors:** USAID leveraged its assistance with other donors such as the European Union, GTZ, the Swedish, Dutch and Norwegian Governments and others. This collaboration helped to guide assistance to locations that are U.S. priorities and to ensure that complete packages of housing, infrastructure, and economic assistance were provided in order to achieve sustainable returns. Although deleted in FY 02 legislation, Livingston Amendment prohibited USAID from financing house repair. Donor collaboration allowed USAID to provide infrastructure support while other donors engaged in housing efforts, thereby accomplishing the maximum effect while significantly reducing the cost of reconstruction per beneficiary.

**Gender:** Women entrepreneurs take advantage of USAID's micro-credit lending program to either start or expand their businesses. In addition, potential business loan recipients are required to report on the number of female employees that will be hired as a result of a loan. In the participant training program, we strive to include as many female participants as possible in our in-country, third-country and U.S.-based training programs. The importance of including female participants is explained to the counterpart organizations, contractors and grantees proposing participants. It is also a weighted factor in choosing final candidates from among the proposed participants.

**Trade Capacity Building:** Through the Global Trade and Technology Network (GTN), USAID is facilitating mutually beneficial trade relationships between Bosnian companies and firms throughout the region and in the U.S. In FY 2002, GTN helped make possible five transactions for a total value of \$550,000. One of these transactions between a Bosnian food processing company and a Croatian container manufacturer represents the largest trade to date within the GTN SE Europe Program. The GTN Program is managed by the Economic Growth, Agriculture and Trade Pillar Bureau.

**Environmental Compliance:** All USAID/BiH SOs and related activities are in compliance with their approved Initial Environmental Examinations. Under SO 3.11 (infrastructure repair supporting sustainable

minority returns) each project is evaluated to determine whether the potential for negative environmental impact exists. Environmental guidelines include a checklist that is part of the final design of each project. When an analysis indicates that negative effects may occur, the project is adjusted to avoid or mitigate those effects. Guidelines describe procedures for supervising construction activities to assure that identified mitigation measures have been addressed as planned. In all cases, U.S. rules and regulations related to environmental issues are applied in the process of project selection and construction. Each of the NGO awardees and other contractors are similarly tasked with ensuring compliance with the same guidelines as USAID's institutional contractor.

#### **Country Closeout & Graduation:**

### **D. Results Framework**

#### **168-0000 Reduced Human Suffering**

##### **Discussion:**

##### **168-0130 Accelerated Development of the Private Sector**

SO Level Indicator: Private Sector Businesses Registered

SO Level Indicator: Private Sector Share of GDP

- 1.3.1 Regulations and Policies Foster Private Sector Development
- 1.3.2 A Market-Driven and Properly Regulated Financial Services Sector
- 1.3.3 SMEs Effectively Compete in a Market Economy

##### **Discussion:**

##### **168-0210 A More Participatory, Inclusive Democratic Society**

SO Level Indicator: Increase in the Number of Citizens Who Say that Their Civic Participation Has Increased

- 2.1.1 Increased Citizen Participation in Political and Social Decision Making
- 2.1.2 Strengthened Legal Systems Promote Increased Access to Justice
- 2.1.3 More Responsive, Transparent and Accountable Governance

##### **Discussion:**

#### **168-031 Reduced human suffering and crises impact -- democratic reform**

##### **Discussion:**

#### **168-0310 Reduced Human Suffering and Crises Impact -- Democratic Reform**

##### **Discussion:**

##### **168-0311 Sustainable Minority Returns in Support of Creation of a Multi-ethnic Society**

SO Level Indicator: Change in number of IDPs and refugees returning to their homes

- 3.1.1 Access to Basic Services in Target Communities Re-Established
- 3.1.2 Improved Economic Self-Sufficiency in Target Communities

##### **Discussion:**

#### **168-0410 Special Initiatives**

##### **Discussion:**

**168-131 Reduced human suffering and crises impact -- economic reform**

**Discussion:**

**168-1310 Reduced Human Suffering and Crises Impact -- Economic Reform**

**Discussion:**

**168-231 Reduced human suffering and crises impact -- minority supports reform**

**Discussion:**

**168-2310 Reduced Human Suffering and Crises Impact -- Minority Supports Reform**

**Discussion:**

**168-3100 Reduced Human Suffering - no breakout by emphasis area**

**Discussion:**

## Selected Performance Measures - Bosnia and Herzegovina

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Indicator (all data should pertain to FY or CY 02)	OU Response	Significant Result: Description of the significant result for a strategic objective	Data Quality Factors: Information relevant to the collection of this indicator data, e.g. "this data was not collected last year because it is only collected every five years."
<b>Pillar I: Global Development Alliance</b>			
Did your operating unit achieve a significant result working in alliance with the private sector or NGOs?			
168-0310 Reduced Human Suffering and Crises Impact -- Democratic Reform			
168-0311 Sustainable Minority Returns in Support of Creation of a Multi-ethnic Society			
168-2310 Reduced Human Suffering and Crises Impact -- Minority Supports Reform			
a. How many alliances did you implement in 2002? (list partners)			
b. How many alliances do you plan to implement in FY 2003?			
What amount of funds has been leveraged by the alliances in relationship to USAID's contribution?			
<b>Pillar II: Economic Growth, Agriculture and Trade</b>			
<b>USAID Objective 1: Critical, private markets expanded and strengthened</b>			
Did your program achieve a significant result in the past year that is likely to contribute to this objective?			
168-0130 Accelerated Development of the Private Sector	Yes		<p>The Business Finance Program approved 56 new loans, totaling over KM 16 million, in the FY2002. These new loans helped to create 269 new jobs. Additionally, the Business Finance Program provided lines of credit totaling KM 12 million to five (5) different commercial banks in BiH. These lines of credit provided the banks with the necessary liquidity to finance many additional loans to the SME sector in BiH.</p> <p>This data has been collected annually from the project implementer and monitored by USAID.</p>
168-0311 Sustainable Minority Returns in Support of Creation of a Multi-ethnic Society			
<b>USAID Objective 2: More rapid and enhanced agricultural development and food security encouraged</b>			
Did your program achieve a significant result in the past year that is likely to contribute to this objective?			
168-0130 Accelerated Development of the Private Sector	N/A		
<b>USAID Objective 3: Access to economic opportunity for the rural and urban poor expanded and made more equitable</b>			
Did your program achieve a significant result in the past year that is likely to contribute to this objective?			

168-0130 Accelerated Development of the Private Sector	Yes			The Business Finance Program provided lines of credit totaling KM 3.7 million to four (4) different Micro Credit Organizations in BiH. These lines of credit provided the necessary funds for the four Micro Credit Organizations to provide very small loans to micro enterprises, typically to micro enterprises established by the poor in both urban and rural areas of the BiH.	This data has been collected annually from the project implementer and monitored by USAID.
168-0311 Sustainable Minority Returns in Support of Creation of a Multi-ethnic Society	Yes			In the Year 2002, we provided 650 income generation grants \$0.4 million for mainly rural minority returnees. These were mainly for satisfying basic economic needs through agricultural assistance. This was done through the disbursement of 484 micro-credit loans in the amount of \$0.7 million to returnees to start up new or old small businesses.	This data was acquired through NGO reports

**USAID Objective 4: Access to quality basic education for under-served populations, especially for girls and women, expanded**

Did your program achieve a significant result in the past year that is likely to contribute to this objective?

a. Number of children enrolled in primary schools affected by USAID basic education programs (2002 actual)	Male	Female	Total	
b. Number of children enrolled in primary schools affected by USAID basic education programs (2003 target)	Male	Female	Total	

**USAID Objective 5: World's environment protected by emphasizing policies and practices ensuring environmentally sound and efficient energy use, sustainable urbanization,**

Did your program achieve a significant result in the past year that is likely to contribute to this objective?

a. Hectares under Approved Management Plans (2002 actual)				
b. Hectares under Approved Management Plans (2003 target)				

**Pillar III: Global Health**

**USAID Objective 1: Reducing the number of unintended pregnancies**

Did your program achieve a significant result in the past year that is likely to contribute to this objective?

Percentage of in-union women age 15-49 using, or whose partner is using, a modern method of contraception at the time of the survey. (DHS/RHS)	%			
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**USAID Objective 2: Reducing infant and child mortality**

Did your program achieve a significant result in the past year that is likely to contribute to this objective?

Percentage of children age 12 months or less who have received their third dose of DPT (DHS/RHS)	Male	Female	Total	
Percentage of children age 6-59 months who had a case of diarrhea in the last two weeks and received ORT (DHS/RHS)	Male	Female	Total	



Percentage of children age 6-59 months receiving a vitamin A supplement during the last six months (DHS/RHS)	Male	Female	Total	
Were there any confirmed cases of wild-strain polio transmission in your country?				

USAID Objective 3: Reducing deaths and adverse health outcomes to women as a result of pregnancy and childbirth

Did your program achieve a significant result in the past year that is likely to contribute to this objective?

Percentage of births attended by medically-trained personnel (DHS/RHS)	%			
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USAID Objective 4: Reducing the HIV transmission rate and the impact of HIV/AIDS pandemic in developing countries

Did your program achieve a significant result in the past year that is likely to contribute to this objective?

a. Total condom sales (2002 actual)				
b. Total condom sales (2003 target)				
National HIV Seroprevalence Rates reported annually (Source: National Sentinel Surveillance System)	%			
Number of sex partners in past year (Source: national survey/conducted every 3-5 years)per DHS or other survey)				
Median age at first sex among young men and women (age of sexual debut) ages 15-24 (Source: national survey/conducted every 3-5 years) per DHS or other survey)	Male	Female	Total	
Condom use with last non-regular partner (Source: national survey/conducted every 3-5 years)per DHS or other survey)	%			
Number of Clients provided services at STI clinics				
Number of STI clinics with USAID assistance				
Number of orphans and other vulnerable children receiving care/support				
Number of Orphans and Vulnerable Children programs with USAID assistance				
Number of community initiatives or community organizations receiving support to care for orphans and other vulnerable children				
Number of USAID-supported health facilities offering PMTCT services				
Number of women who attended PMTCT sites for a new pregnancy in the past 12 months				

Number of women with known HIV infection among those seen at PMTCT sites within the past year.				
Number of HIV-positive women attending antenatal clinics receiving a complete course of ARV therapy to prevent MTCT (UNGASS National Programme & Behavior Indicator #4)				
Number of individuals reached by community and home-based care programs in the past 12 months				
Number of USAID-assisted community and home-based care programs				
Number of clients seen at Voluntary Counseling and Testing (VCT) centers				
Number of VCT centers with USAID assistance				
Number of HIV-infected persons receiving Anti-Retroviral (ARV) treatment				
Number of USAID-assisted ARV treatment program				
a. Number of individuals treated in STI programs (2002 actual)	Male	Female	Total	
b. Number of individuals treated in STI programs (2003 target)	Male	Female	Total	
a. Is your operating unit supporting an MTCT program?				
b. Will your operating unit start an MTCT program in 2003?				
a. Number of individuals reached by community and home based care programs (2002 actual)	Male	Female	Total	
b. Number of individuals reached by community and home based care programs (2003 target)	Male	Female	Total	
a. Number of orphans and vulnerable children reached (2002 actual)	Male	Female	Total	
b. Number of orphans and vulnerable children reached (2003 target)	Male	Female	Total	
a. Number of individuals reached by antiretroviral (ARV) treatment programs (2002 actual)	Male	Female	Total	
b. Number of individuals reached by antiretroviral (ARV) treatment programs (2003 target)	Male	Female	Total	
USAID Objective 5: Reducing the threat of infectious diseases of major public health importance				
Did your program achieve a significant result in the past year that is likely to contribute to this objective?				

a. Number of insecticide impregnated bed-nets sold (Malaria) (2002 actual)				
b. Number of insecticide impregnated bed-nets sold (Malaria) (2003 target)				
a. Proportion of districts implementing the DOTS Tuberculosis strategy (2002 actual)	%			
b. Proportion of districts implementing the DOTS Tuberculosis strategy (2003 target)	%			

Pillar III: Democracy, Conflict and Humanitarian Assistance

USAID Objective 1: Strengthen the rule of law and respect for human rights

Did your program achieve a significant result in the past year that is likely to contribute to this objective?

168-0130 Accelerated Development of the Private Sector	N/A			ERO funded the liquidation and resolution of Hercegovacka Bank, a high profile bank that had operated illegally and consequently was shut down with the help of the Office of the High Commissioner. This high profile effort reaffirmed that BiH financial institutions must operate within the established regulatory framework and be held accountable to the rule of law.	This effort was in cooperation with the Office of the High Commissioner (OHR), where USAID provided a significant portion of the funding to staff this effort.
168-0210 A More Participatory, Inclusive Democratic Society	Yes			Unification of Federation Bar Association took place due to USAID efforts in 2002	

USAID Objective 2: Encourage credible and competitive political processes

Did your program achieve a significant result in the past year that is likely to contribute to this objective?

168-0210 A More Participatory, Inclusive Democratic Society	Yes			Elections were administered by Bosnian officials for the first time since the war.	Elections judged as "free and fair" by OSCE
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USAID Objective 3: Promote the development of politically active civil society

Did your program achieve a significant result in the past year that is likely to contribute to this objective?

168-0210 A More Participatory, Inclusive Democratic Society	No		
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USAID Objective 4: Encourage more transparent and accountable government institutions

Did your program achieve a significant result in the past year that is likely to contribute to this objective?

168-0130 Accelerated Development of the Private Sector	N/A			ERO provided new financial systems and training to assist the treasury functions at the State, entity and cantonal levels. These automated systems provide enhanced reporting and better spending controls, thus improving anti-corruption efforts by holding officials accountable for each financial transaction.	This data has been collected annually from the project implementer and monitored by USAID.
168-0210 A More Participatory, Inclusive Democratic Society	Yes			Six "one stop shops" installed in city halls to provide citizens and businesses more efficient and transparent services	

168-0311 Sustainable Minority Returns in Support of Creation of a Multi-ethnic Society

N/A

Yes. Through the passage of a State Law for Electricity, and two Entity Laws on same, we are making progress in restructuring and privatizing the electricity sector.

USAID Objective 5: Mitigate conflict

Did your program in a pre-conflict situation achieve a significant result in the past year that is likely to contribute to this objective?

Did your program in a post-conflict situation achieve a significant result in the past year that is likely to contribute to this objective?

Number of refugees and internally displaced persons assisted by USAID

Male

Female

Total

USAID Objective 6: Provide humanitarian relief

Did your program achieve a significant result in the past year that is likely to contribute to this objective?

168-0311 Sustainable Minority Returns in Support of Creation of a Multi-ethnic Society

Yes

USAID repaired 9 kms of roads, 1 bridge, 7 schools, and hooked up 5,200 household to water and electricity connections. In addition we have 2,400 pupils will be attending refurbished schools.

This is the result of USAID Field Staff and General Contractor's reports

Number of beneficiaries

49000

Crude mortality rates

%

Child malnutrition rates

%

Did you provide support to torture survivors this year, even as part of a larger effort?

Number of beneficiaries (adults age 15 and over)

Male

Female

Total

Number of beneficiaries (children under age 15)

Male

Female

Total